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**CENTURYTEL**

November 3, 2000

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45  
Comments on the Rural Task Force Recommendation

Dear Ms. Salas:

Enclosed is a letter sent today by CenturyTel, Inc. (CenturyTel) to Commissioner Susan Ness, Chair of the Federal-State Joint Board on Universal Service. Please associate it with the record in the above-referenced proceeding.

If you have any questions, please contact Richard R. Cameron, of Latham & Watkins, at (202) 637-2225. Thank you for your assistance with this matter.

Very truly yours,



John F. Jones  
Vice President, Government Relations

cc: Sheryl Todd (three copies)  
Accounting Policy Division  
Common Carrier Bureau  
See Attached Service List

International Transcription Services, Inc. (with diskette)

## **SERVICE LIST**

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The Honorable Susan Ness  
Chair, Federal-State Joint Board on Universal Service  
Commissioner, Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Re: *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45 /  
Comments on the Rural Task Force Recommendation

Dear Commissioner Ness:

The Rural Task Force (RTF) of the Federal-State Joint Board on Universal Service (Joint Board) has devoted much thought and great effort to developing the recommendations currently before the Joint Board regarding federal universal service mechanisms for rural telecommunications carriers. CenturyTel commends the RTF for its work as well as its ability to achieve a consensus recommendation despite its diverse makeup of industry and consumer participants.<sup>1</sup>

CenturyTel urges the Joint Board to act quickly on the RTF's recommendations. The Telecommunications Act of 1996 was intended to preserve and enhance universal service support for all areas of the Nation, including those served by rural carriers, even as it promoted the development of competition in local telecommunications markets. In enacting the 1996 Act, Congress mandated that universal service support "should be explicit and sufficient" to advance these twin goals. 47 U.S.C. § 254(e). In 1997, in adopting its *Universal Service First Report and Order*, 12 FCC Rcd 8776 (1997), the Commission bifurcated its universal service and access charge reform processes, focusing first on non-rural and price cap carriers, while deferring action on rural and rate-of-return-regulated carriers.

Since 1997, the Commission has taken no meaningful action, either to reform the interstate access charge rate structure applicable to rate-of-return carriers, or to render universal

<sup>1</sup> CenturyTel, Inc. (CenturyTel), headquartered in Monroe, Louisiana, is a leader in providing integrated communications services to rural markets. CenturyTel provides a variety of high quality communications services to more than 2 million customers in rural communities in 21 states, including local exchange and advanced services, wireless cellular telephone service, personal communications services (PCS), long distance, security monitoring, data, and broad-band and dial-up Internet access services. CenturyTel's rural exchanges provide local exchange service to 1.7 million access lines, but approximately half of its exchanges have fewer than 1,000 access lines each. Very few of its exchanges have greater than 10,000 access lines. All of CenturyTel's operating companies meet the statutory definition of a "rural telephone company" contained in section 3 of the Communications Act of 1934, as amended.

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service support implicit in that rate structure explicit. Today, all three primary forms of implicit universal service support – geographic averaging of rates, large business/residential rate disparities, and traffic-sensitive recovery of fixed costs – remain deeply interwoven into the interstate access rate structure for rate-of-return carriers. The result is an unstable and unpredictable regulatory regime for rural customers and their service providers. Additional long-term instability may stifle future investment by rural telecommunication providers. CenturyTel and other small and midsize companies have historically made significant investments in these markets to provide state of the art basic and advanced services.

Over this past three years, despite a lack of meaningful reform from the Commission, rural ILECs have increasingly invested in advanced services and sought to launch competitive ventures beyond their historical ILEC regions. We have also become subject to increasing amounts of competition from other CLECs. The current rate-of-return interstate access charge rate structure, however, coupled with a universal service support mechanism that was not designed for a competitive environment, hamstrings ILECs in investing in advanced services, in launching out-of-region competitive ventures, and in responding to competitive entry in-region.

Reform is critically needed. Today, implicit universal service support continues to create an ILEC price umbrella in lower-cost areas of our territory, while higher-cost lines, in many cases, generate insufficient revenue to cover the costs of providing service. In addition, interim policies adopted by the Commission, such as the limits on universal service support that a carrier purchasing ILEC access lines may receive and the interim cap on high cost loop support have now survived far longer than the Commission originally intended. Further delays by the Commission and the Joint Board will only exacerbate the problems caused by these interim policies.

Against this backdrop, the work of the RTF is to be commended. The RTF has recommended much-needed changes to the federal universal service support mechanisms for rural carriers. The recommendations are reasonably balanced and should be considered as a whole and acted upon promptly. The RTF's recommendation is comprehensive and was reached through exhaustive deliberation by a group of rural subject-matter experts. Should the Joint Board and Commission delay action on the RTF recommendation, they run the risk of undermining the work of the RTF and their efforts to remain faithful to the intent of the Act. The future of universal service reform for rural providers should be decided expeditiously for the good of rural consumers and the providers that serve and invest in those markets. CenturyTel specifically supports (1) deaveraging of federal universal service support; (2) increased support for investment to provide advanced services; (3) modification of section 54.305's cap on support for acquired lines to provide truly "sufficient" support to these areas; and (4) the conversion of support implicit in the rate-of-return interstate access charge system to explicit.

If the Commission intends to have interstate access and universal service reforms in place for rate-of-return and rural carriers by July 1, 2001,<sup>2</sup> the Joint Board should make every effort to act before the end of this year on the RTF's recommendations. The Commission, Joint

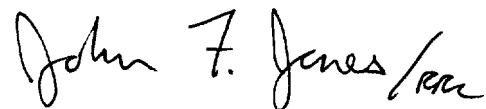
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<sup>2</sup> While CenturyTel would support more rapid action, July 1, 2001 appears to be the most administratively convenient, realistic deadline.

Board, and the RTF already have scrutinized the issues now once again before the Joint Board at a level that is truly rare, even by the Commission's customary high standards. The Commission and the Joint Board considered universal service reform for rural carriers throughout 1996 and 1997; since that time, the RTF has devoted considerably more attention to these issues, and the Commission and Joint Board have gained the benefit of experience with the non-rural and price cap carrier reforms. The time for well-considered action has come.

Thank you for the opportunity to comment on the RTF proposal. CenturyTel urges the Joint Board to take rapid action on the RTF's proposals and appreciates the opportunity to continue to participate in this reform process as the Joint Board and the Commission move forward with their consideration of these issues.

Very truly yours,

A handwritten signature in cursive script that reads "John F. Jones". To the right of the signature is a small, stylized mark that appears to be "RCR".

John F. Jones  
Vice President, Government Relations